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Message Text

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14/20
ACTION NEA-12

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 CAB-09 DODE-00 FAA-00 PA-04 USIA-15

PRS-01 PM-07 DRC-01 /172 W
---------- 024494
O R 180952Z JAN 74
FM AMEMBASSY SANAA
TO AMEMBASSY JIDDA NIACT IMMEDIATE
INFO SECSTATE WASHDC 3192
AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMEMBASSY KUWAIT

C O N F I D E N T I A L SANAA 00087

C O R R E C T E D C O P Y FOR MRN (00087 VICE 00000)

E.O. 11652: GDS
TAGS: ETRN, YE, SA
SUBJ: YEMEN AIRLINES/PAN AM TEAM TO VISIT SAUDI ARABIA

BEIRUT FOR RCAA

1. PAN AM TEAM CONSISTING OF VICE PRESIDENT T.J.
TOWNSEND AND BEIRUT-BASED DIRE TOR FOR AIRLINE SERVICES
LYLE GRACE ARRIVED SANAA JANUARY 14. MET WITH YARG
COMMITTEE HEADED BY MIN STATE FOR DEVELOPMENT SA'ID AND
MIN ECONOMY ASNAG. PAN AM GROUP EXPLAINED TO COMMITTEE,
AS WELL AS TO EMBASSY, DETAILS OF PROPOSAL FOR MANAGEMENT
CONTRACT FOR YEMEN AIRLINES. ESENTIALLY THIS LOOKS
TOWARD FIRM INITIAL THREE YEAR CONTRACT UNDER WHICH PAN AM
WOULD PROVIDE ABOUT 20 MANAGERIAL PERSONNEL AT COST OF
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DOLS 1.5 MILLION PER YEAR. PROPOSED OUTLAY FOR EQUIPMENT

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AND TRAINING DURING SAME PERIOD, INCLUDING PURCHASE OF ONE BOEING 720, COMPLETE REHABILITATION OF YEMEN AIRLINES EXISTING 2 DC-6S AND 2 DC-3S, AND GROUND SUPPORT EQUIPMENT, WOULD BE SOMEWHAT OVER DOLS 5 MILLION FOR TOTAL OF APPROXIMATELY DOLS 10 MILLION. PAN AM ANTICIPATES THAT DURING FOUR YEARS FOLLOWING INITIAL THREE, ITS SERVICES WOULD BE GRADUALLY CUT DOWN SO THAT AT THE END OF 7 YEARS YEMEN AIRLINES COULD BE OFF AND FLYING ON ITS OWN. PROPOSAL STRESSES THAT MANAGERIAL DECISIONS WOULD HAVE TO BE STRICTLY IN PAN AM'S HANDS, FREE OF POLITICAL INTERFERENCE.

2. YARG HAS RECEIVED PAN AM RECOMMENDATIONS POSITIVELY. PRESIDENT IRYANI, PRIMIN HAJRI ANDCOUNCIL OF MINISTERS HAVE BEEN FULLY BRIEFED. YARG HAS DECIDED MOVE QUICKLY TO TAKE ADVANTAGE OF PAN AM REPRESENTATIVES' PRESENCE IN AREA TO EXPLAIN PROPOSAL TO SAG AND SEEK ITS FINANCIAL SUPPORT. ACCORDINGLY, GROUP CONSISTING OF YEMEN AIRLINES CHAIRMAN SHAEF MUHAMMAD SA'ID AND DEPUTY CHAIRMAN FAHMI AL-HAMDANI WLL PROCEED TO JIDDA WITH TOWNSEND AND GRACE JANUARY 19 IN HOPES OF MEETING WITH MOD PRINCE SULTAN, SAUDIA DIRECTOR KAMEL SINDI AND OTHER APPROPRIATE OFFICIALS. ASNAG HAS SENT A MEMORANDUM TO SAUDI EMBASSY HERE SEEKING ITS ASSISTANCE IN ARRANGING FOR THE MEETING.

YEMENVJ WILL ALSO CARRY A LETTER FROM ASNAG TO PRINCE SULTAN REFERRING TO HIS OFFER OF SEVERAL MONTHS AGO TO CONSIDER SYMPATHETICALLY ANY PROPOSAL FOR SAUDI SUBSIDIZATION OF PROFESSIONAL MANAGEMENT CONTRACT AIMED AT COMPLETE REHABILITATION OF YEMEN AIRLINES, AND BESPEAKING SAG FINANCING OF PAN AM-YEMEN AIRLINES CONTRACT.

3. WE HAVE GIVEN TOWNSEND NAME OF ECONOMIC COUNSELOR BIRD. SINCE IT QUITE POSSIBLE SAUDI EMBASSY WILL NOT HAVE ACTED EFFECTIVELY ON YARG REQUEST RE APPOINTMENTS, HOPE EMBASSY JIDDA WILL BE WILLING STEP IN AS NECESSARY TO RENDER ANY ASSISTANCE. ACCEPTANCE OF PAN AM PROPOSAL BY YARG IS POTENTIALLY VERY IMPORTANT STEP FOR YEMEN'S DEVELOPMENT ANYONE INTO WHICH USG HAS PUT A LOT OF WORK. IT IS TO BE HOPED THAT SAG WILL SEE PROPOSAL IN THIS
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LIGHT AND RESPOND GENEROUSLY AVOIDING NARROWN AND ESSENTIALLY ILLUSORY CONCERNS ABOUT COMMERCIAL COMPETITION ON PART OF SAUDIA/TWA.
CRAWFORD

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Disposition Reason:
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